



Live more,  
Bank less

## Singapore: Elevated business costs

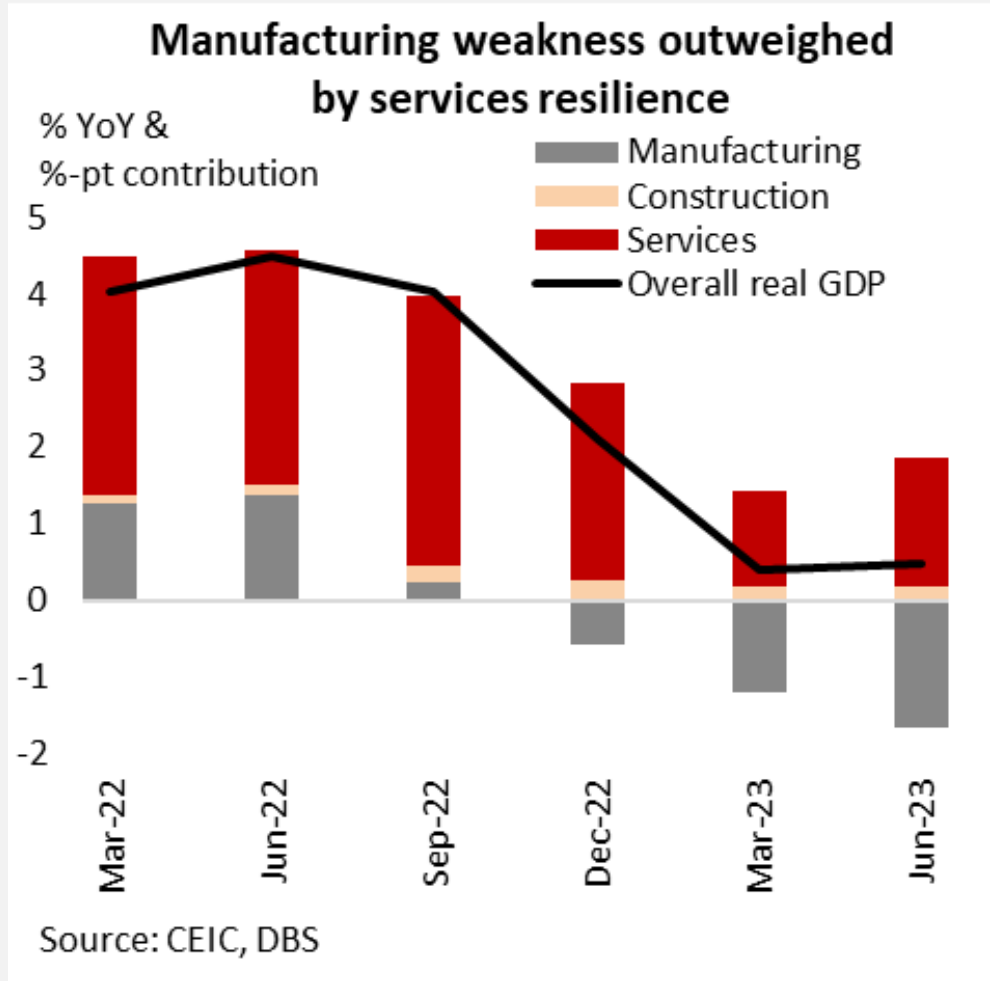
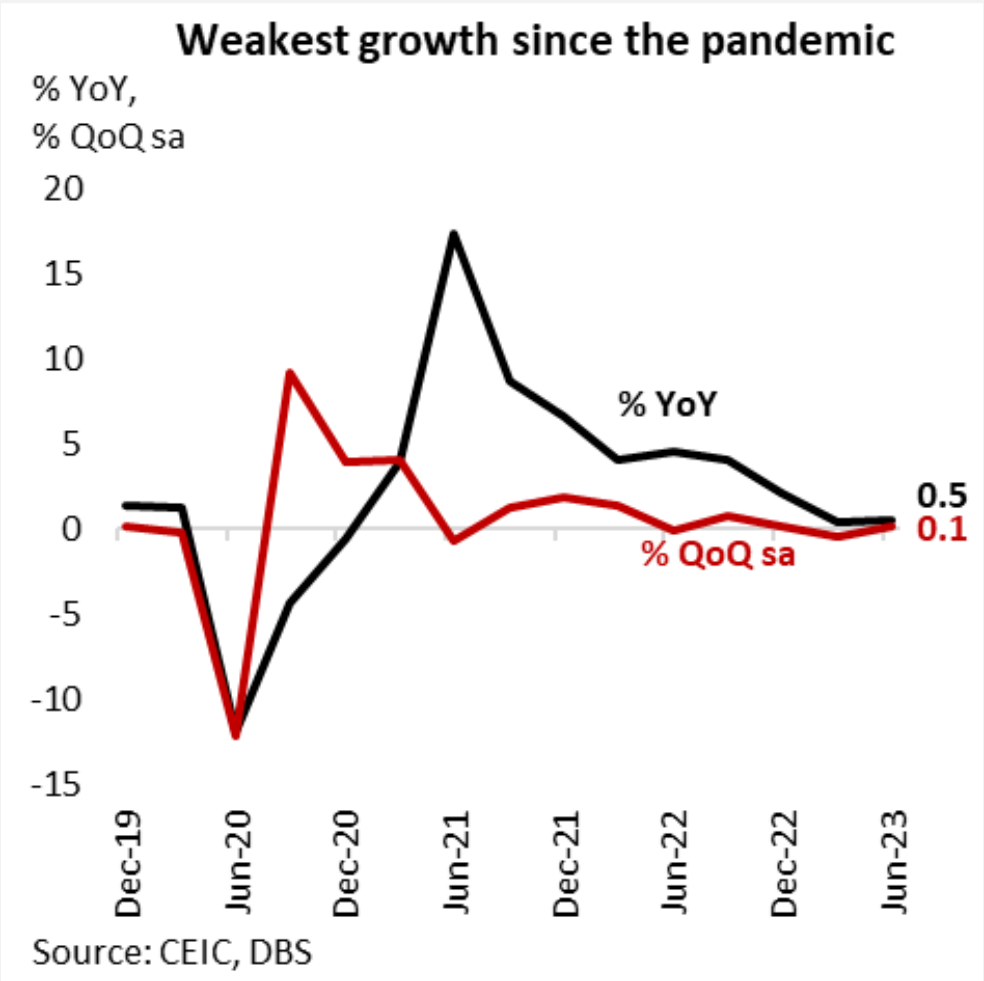
DBS-SMU Seminar on "Costs of living and business costs in Singapore"

**CHUA Han Teng, CFA, Economist**

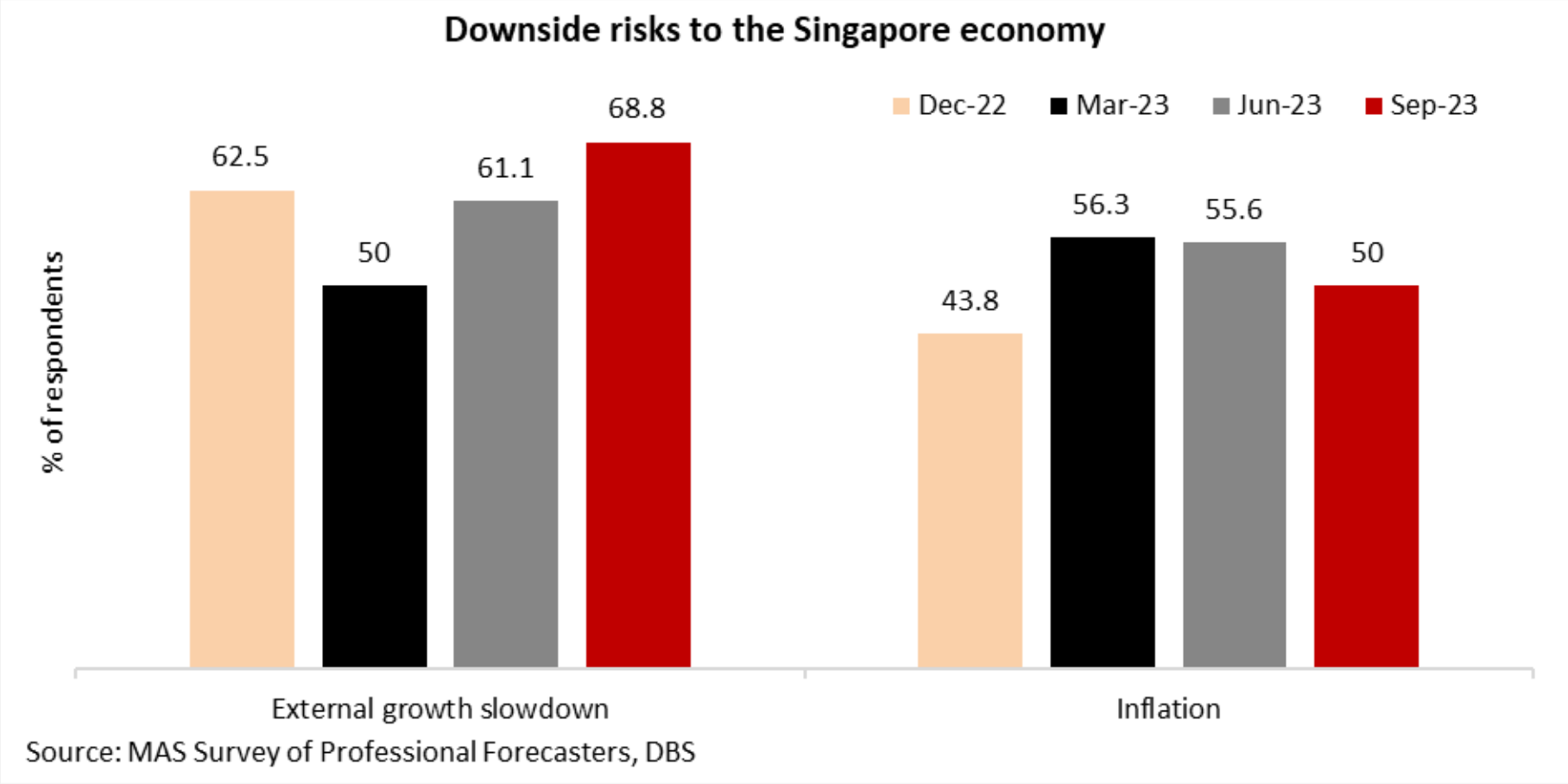
26 September 2023



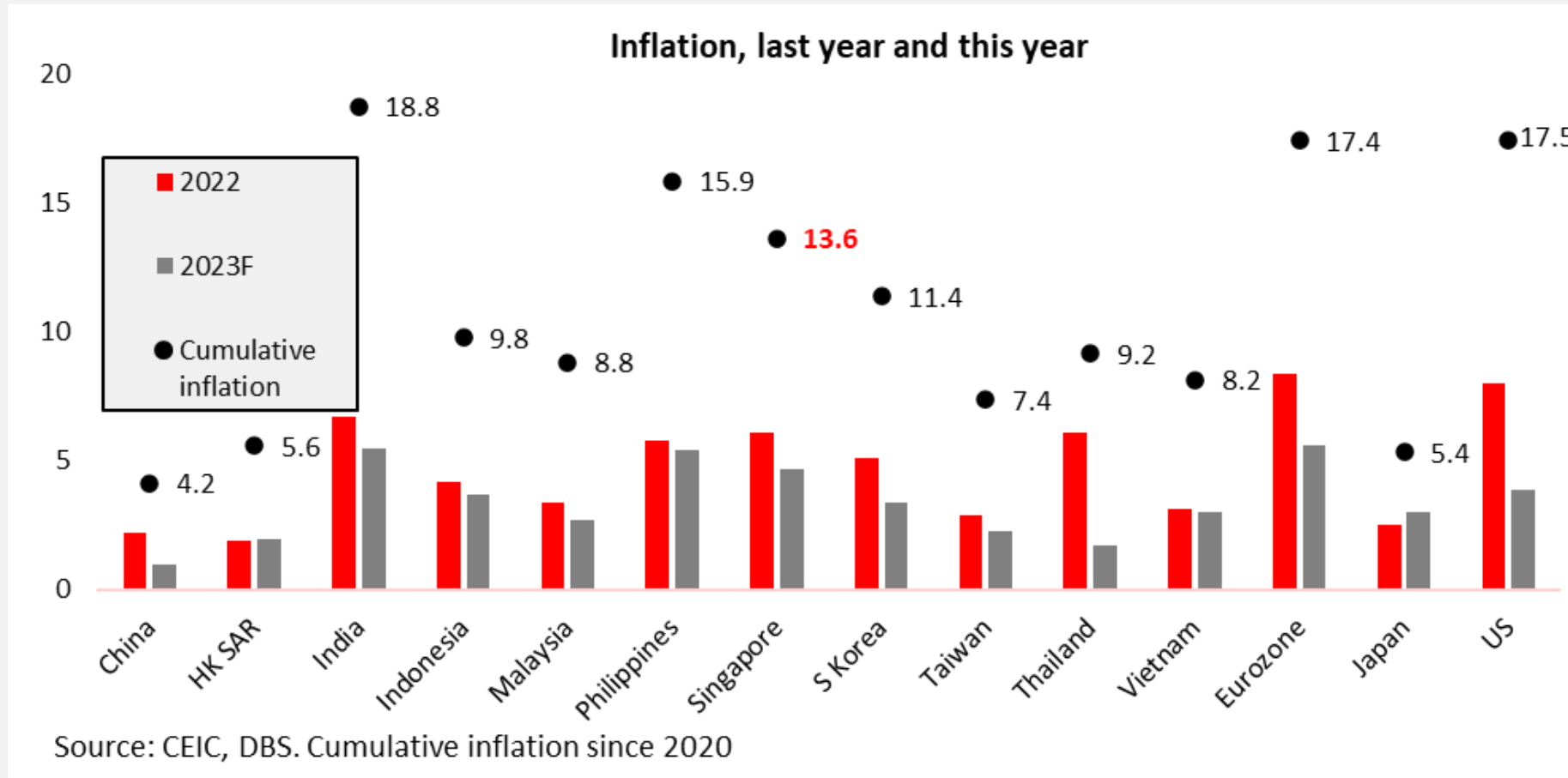
# Soft economic growth amid global external headwinds



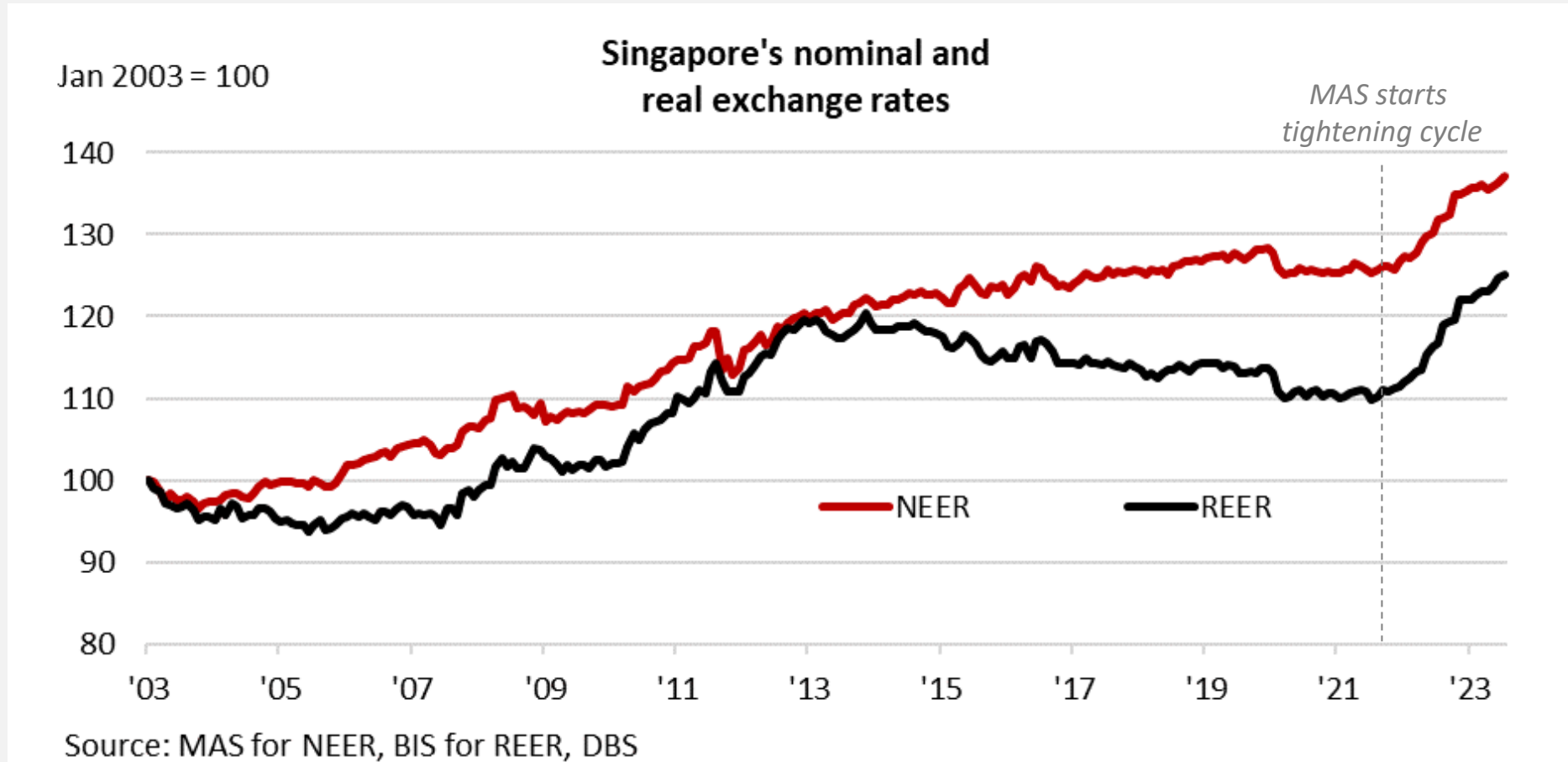
# Inflation is also a key downside risk, besides external headwinds



## 3rd highest cumulative inflation in Asia since 2020



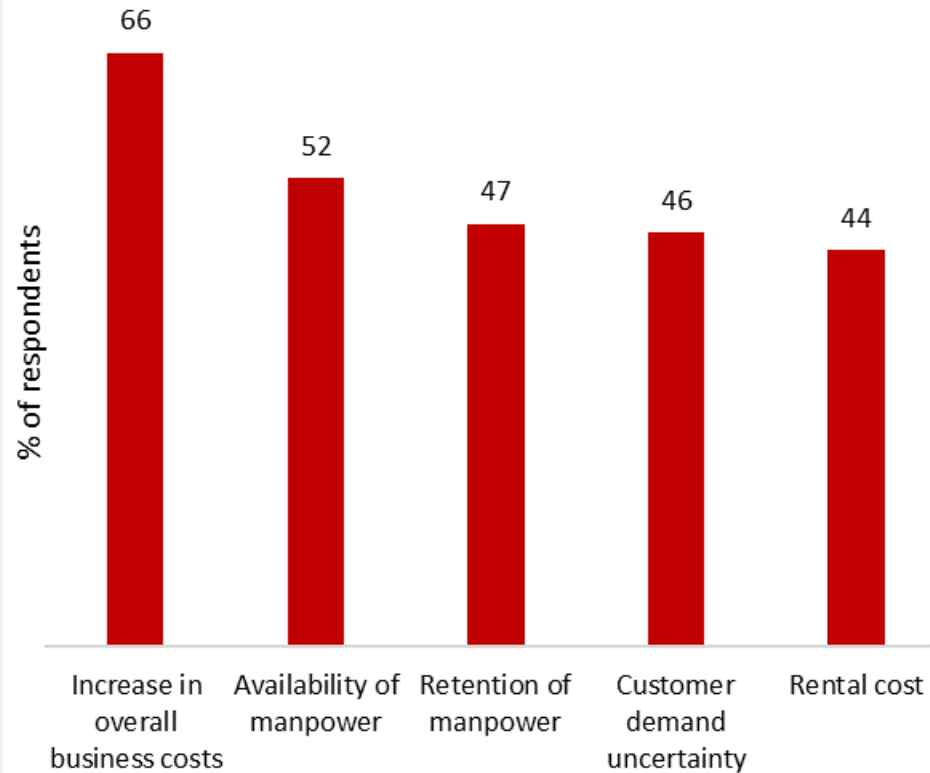
## The Singapore dollar has soared in recent years



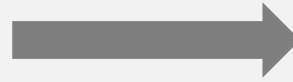
# Business costs are a top challenge for Singapore's companies

2022

Top challenges faced by Singapore businesses

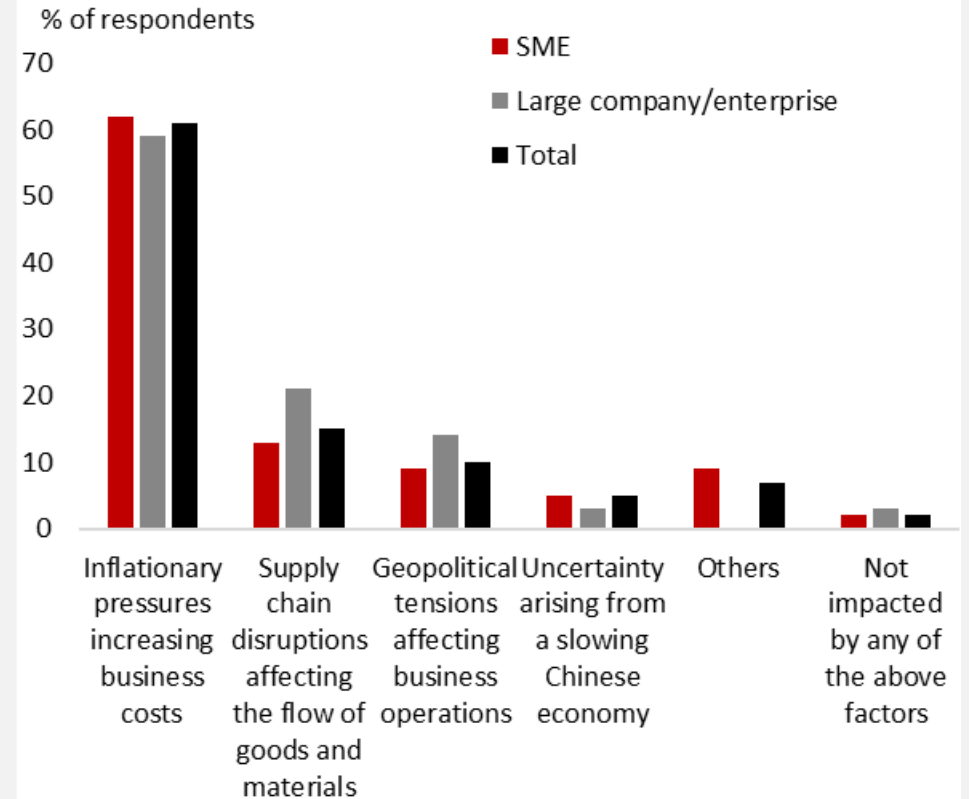


Source: SBF National Business Survey 2022/23  
 Note: Survey period 29 Aug to 23 Nov 2022; respondents=931



2023

Top global factor impacting Singapore businesses



Source: SBF Survey on Manpower and Wages 2023  
 Note: Survey period 20 Jul to 31 Jul 2023; respondents=282

# Tracking business costs

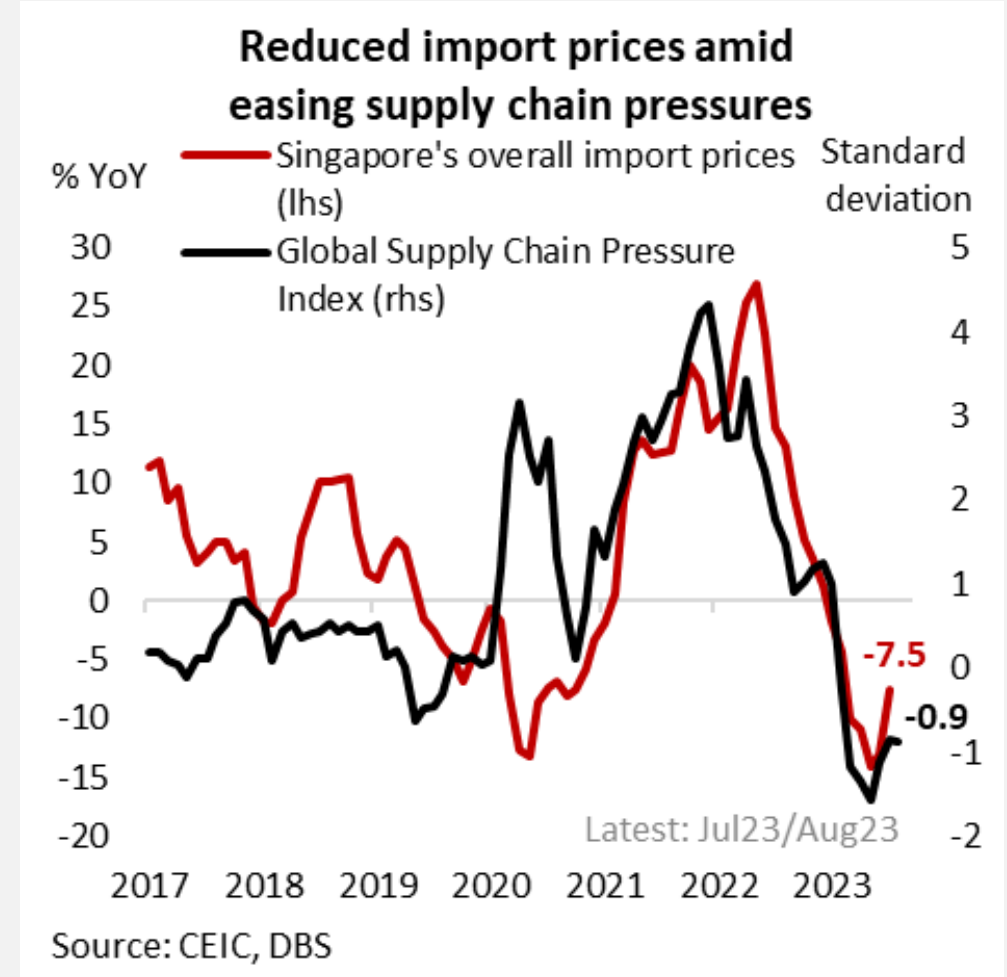
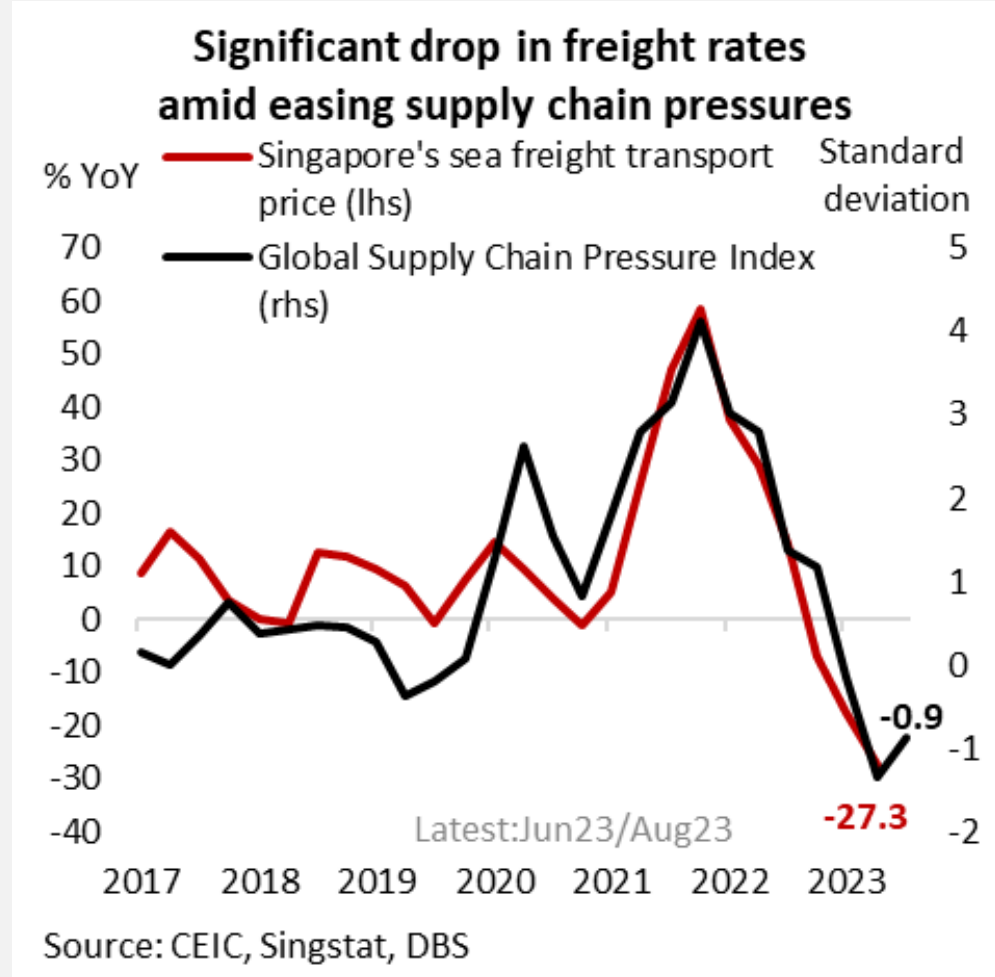
Logistics & Imports

Utilities

Rental

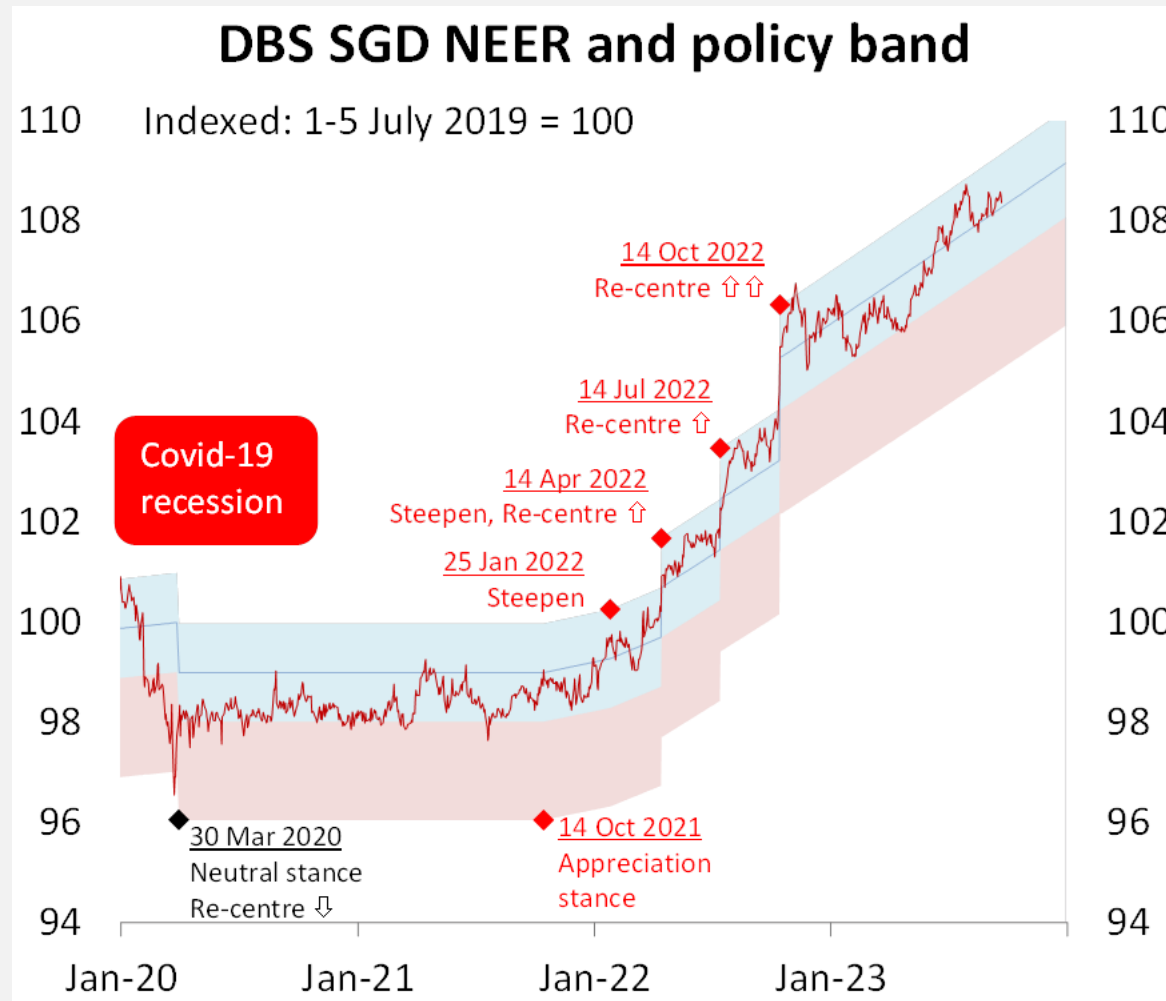
Wages

# Logistics & import costs: Already cooling





# Import costs: Dampened by strong SGD policy



MAS has been proactive in policy tightening to arrest the momentum of price increases

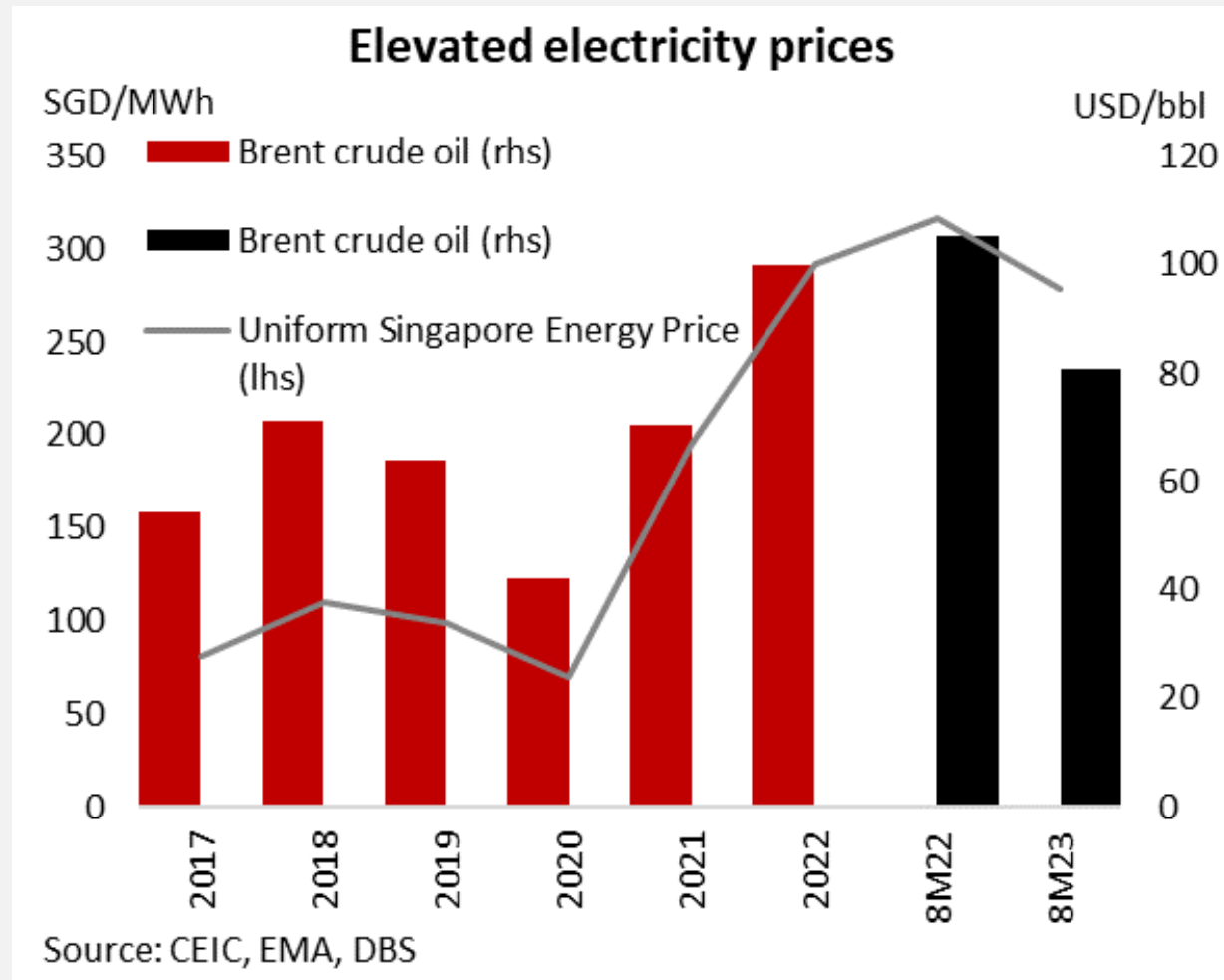
## Oct 2021 ⇒ Oct 2022

Slope increased  
0% ↗ 3%

Re-centred band  
↑ by 4%

MAS is not switching from “inflation-fighting” mode to “growth-supporting mode” – 5 July 23

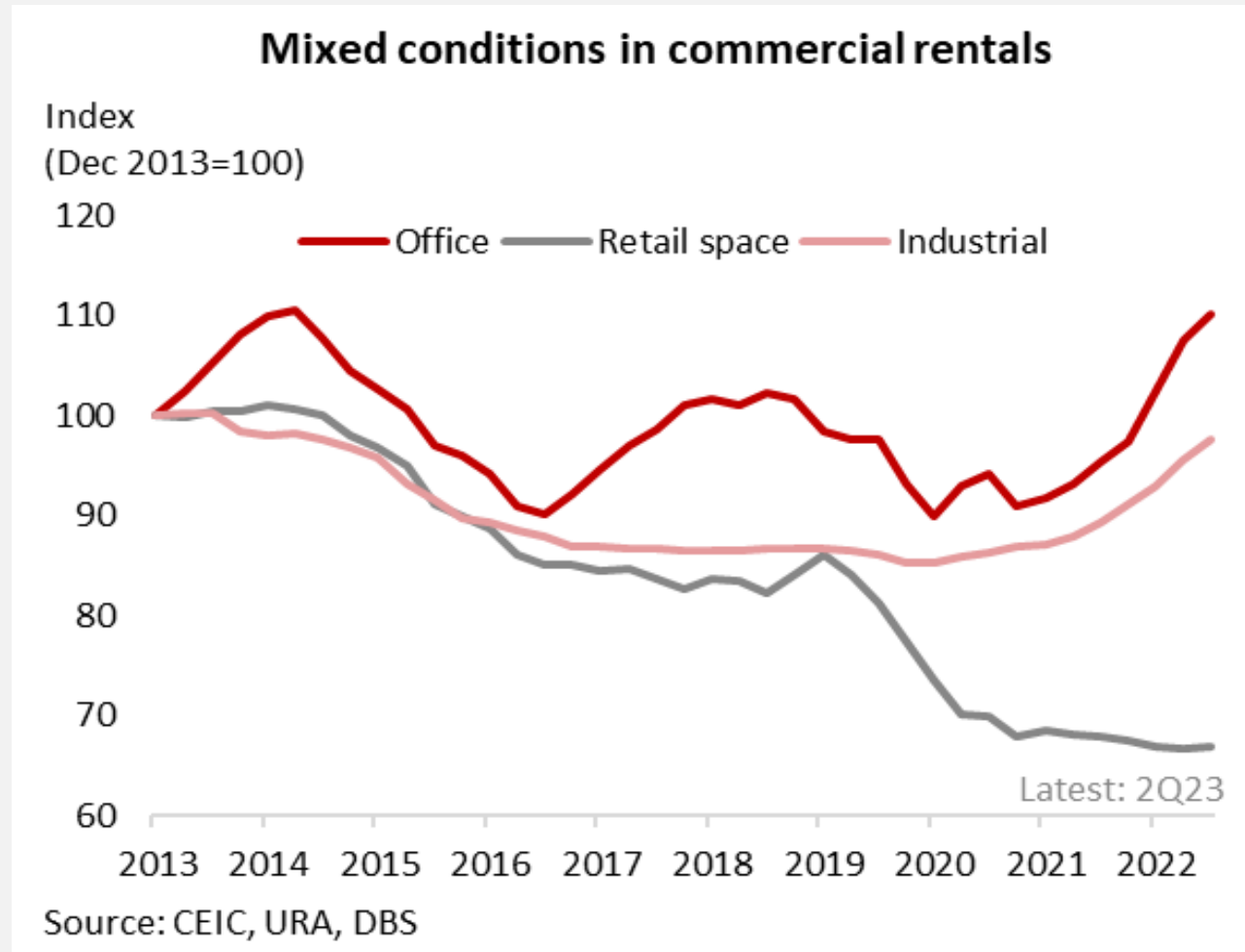
## Utilities cost: Still high but moderating



Contained by below-peak oil prices

Tight power supply, Growing demand

# Commercial rentals: Mixed conditions



## Office

Steady high rents, given tight supply

## Industrial

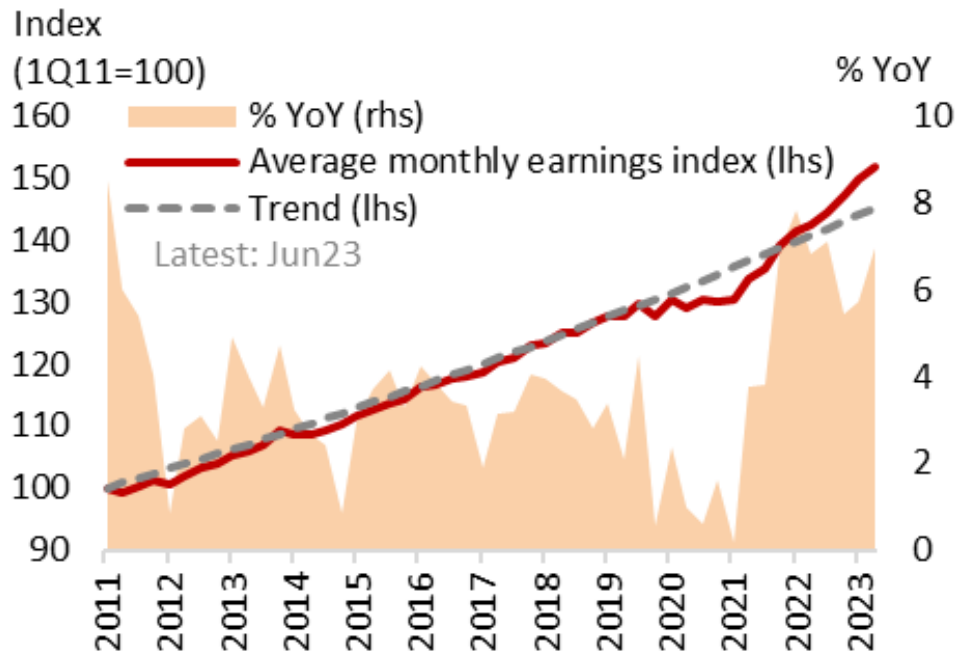
Rents supported by FDI, limited supply

## Retail

Rents to recover, amid returning tourists

# Wages: A top business cost challenge

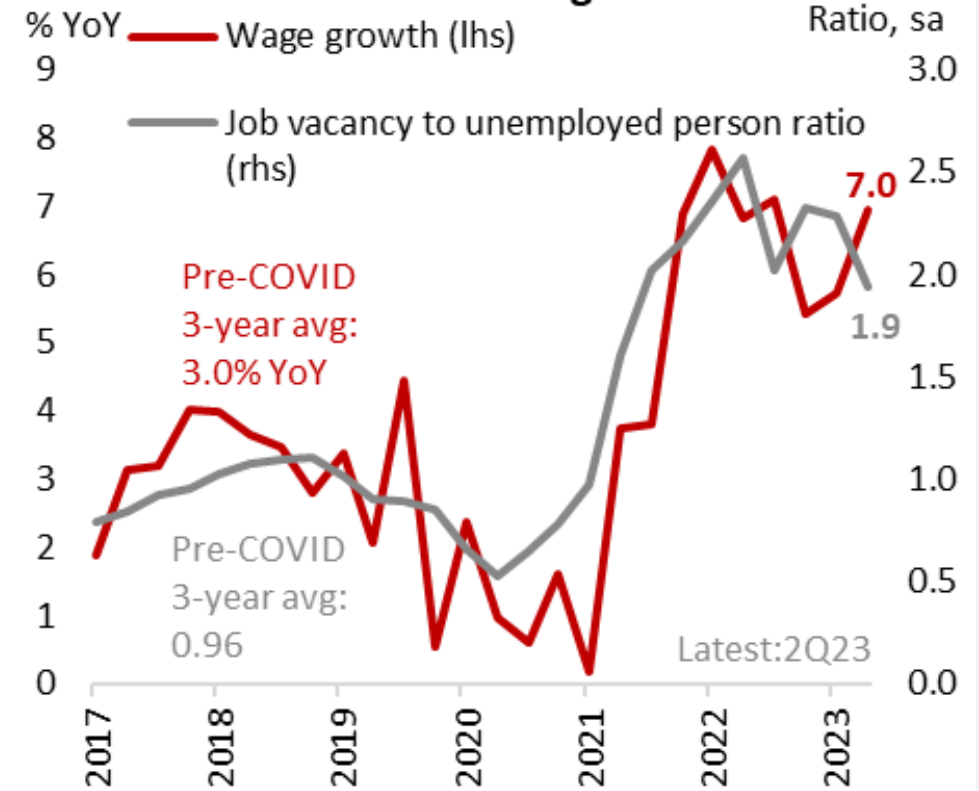
**Wages are above pre-pandemic trend, but growth is below 2022 peak**



Source: CEIC, DBS

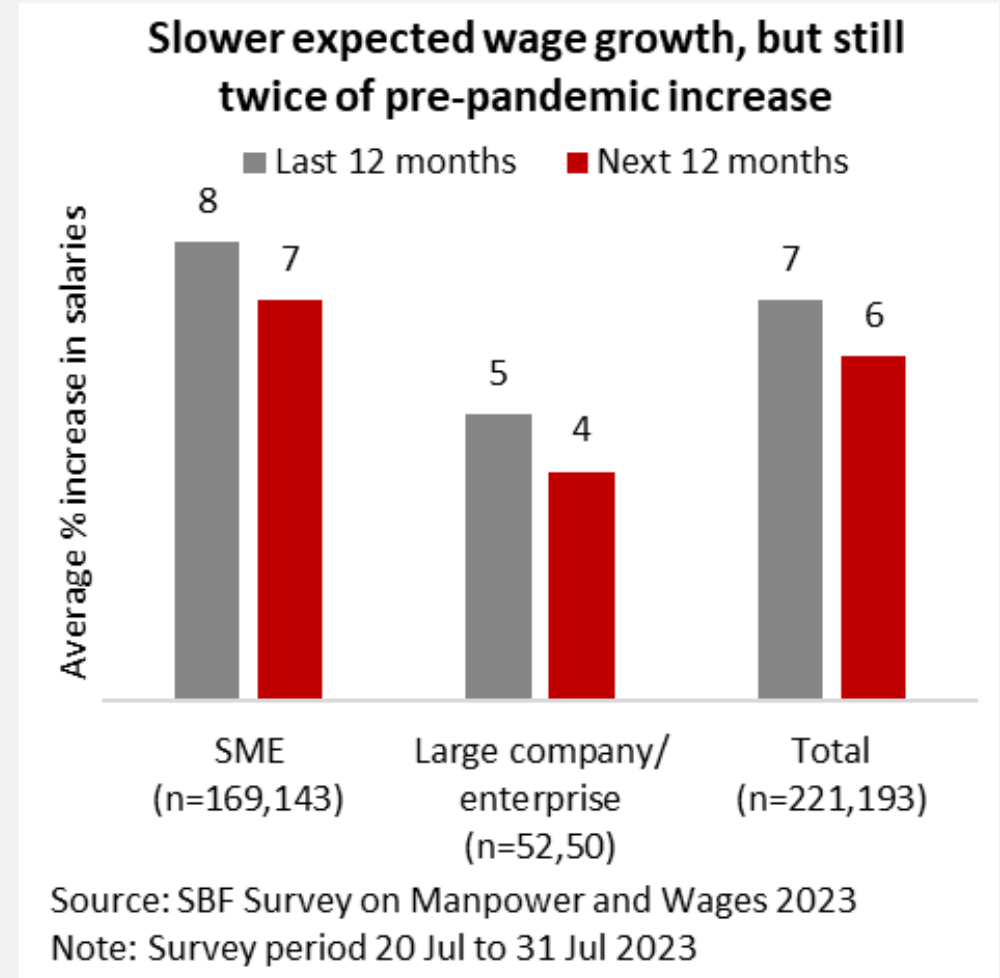
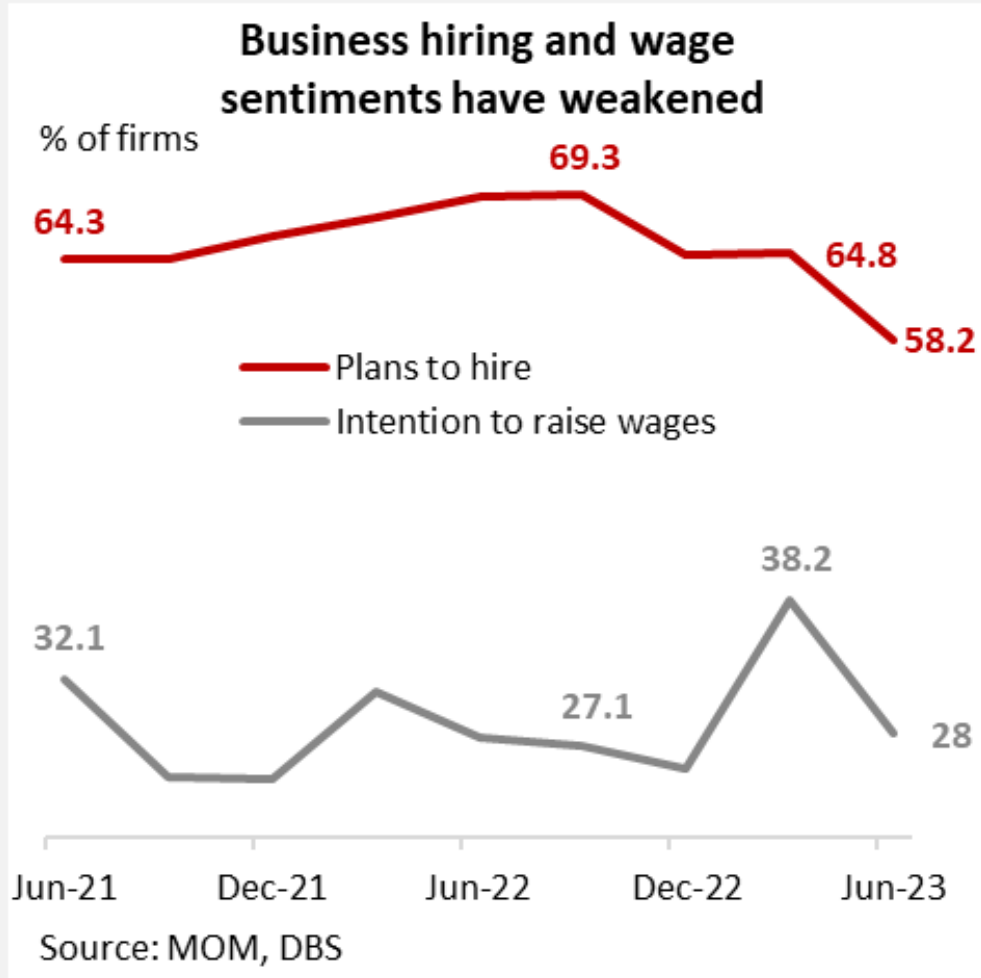
Note: Average monthly earnings index is seasonally adjusted (sa) by DBS; trend line is derived using average QoQ sa from 1Q11 to 4Q19

**Wage growth driven by labour market tightness**



Source: CEIC, DBS

# Wages: Increasing but at a slower pace

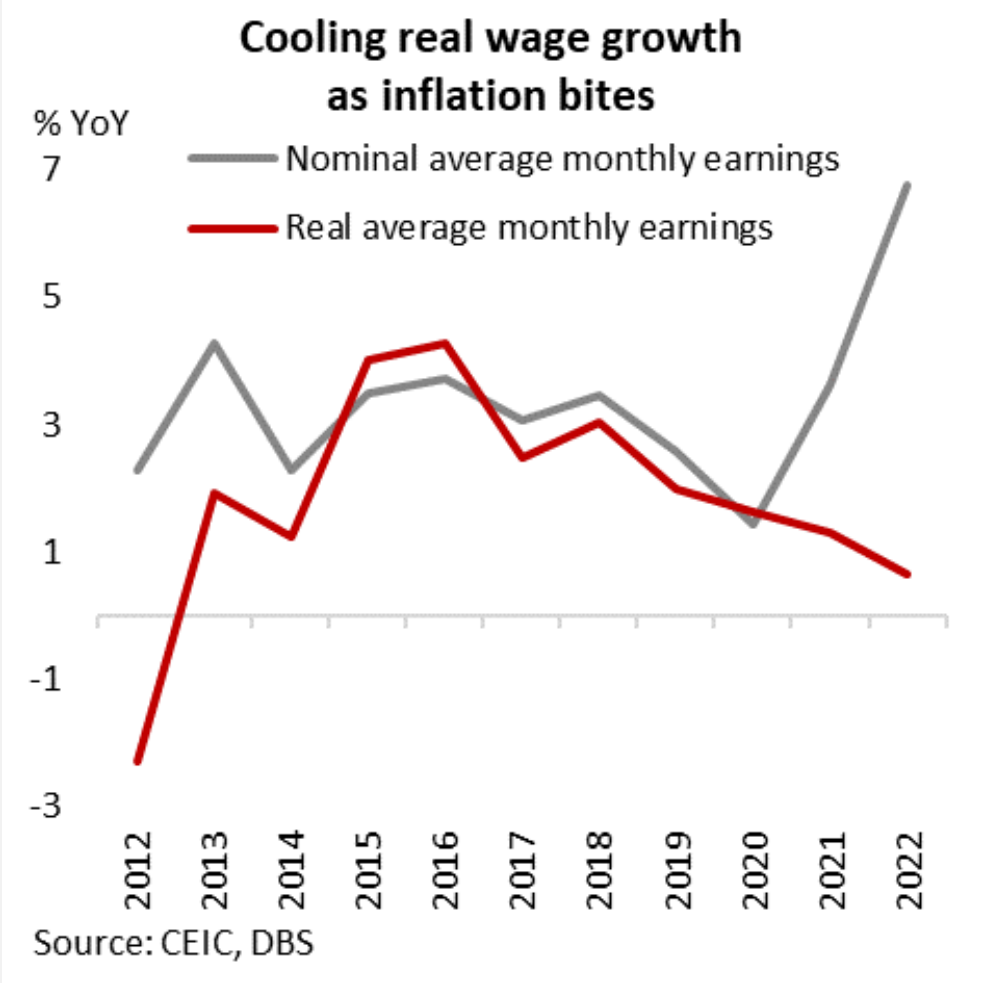
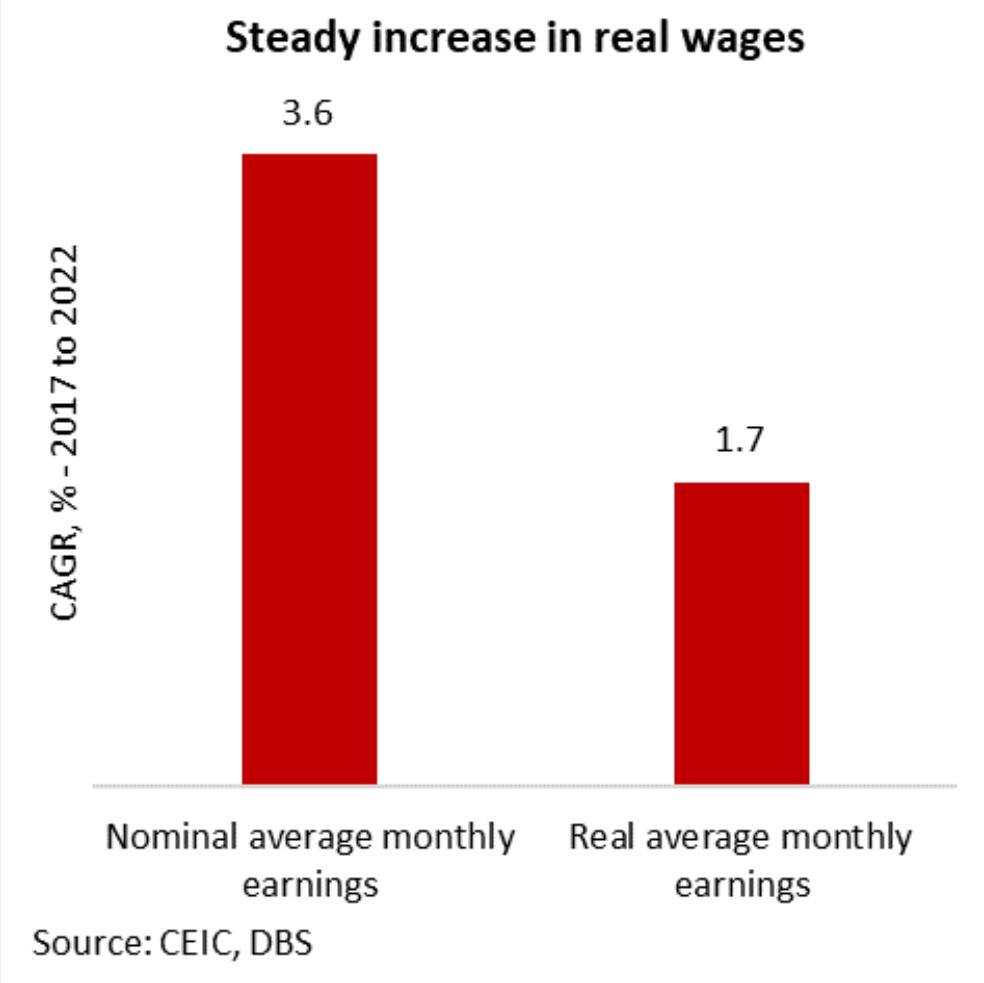


## Business cost tracker

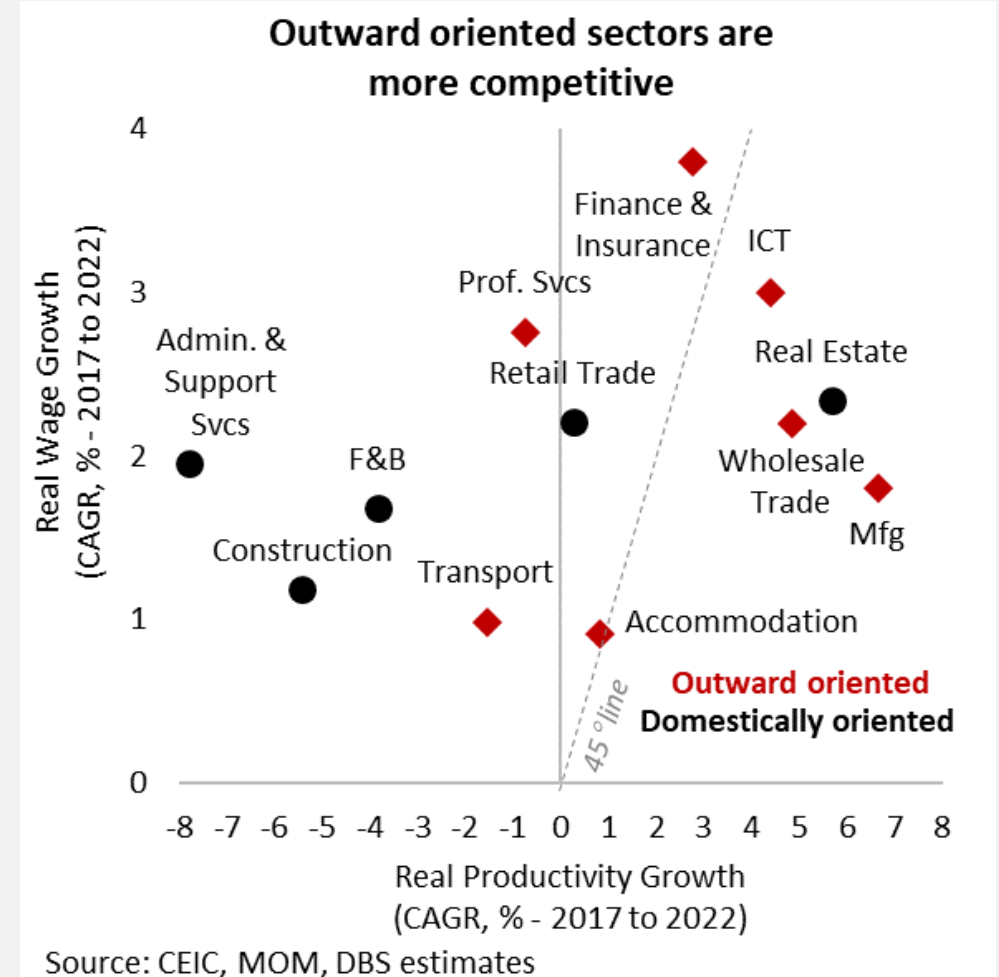
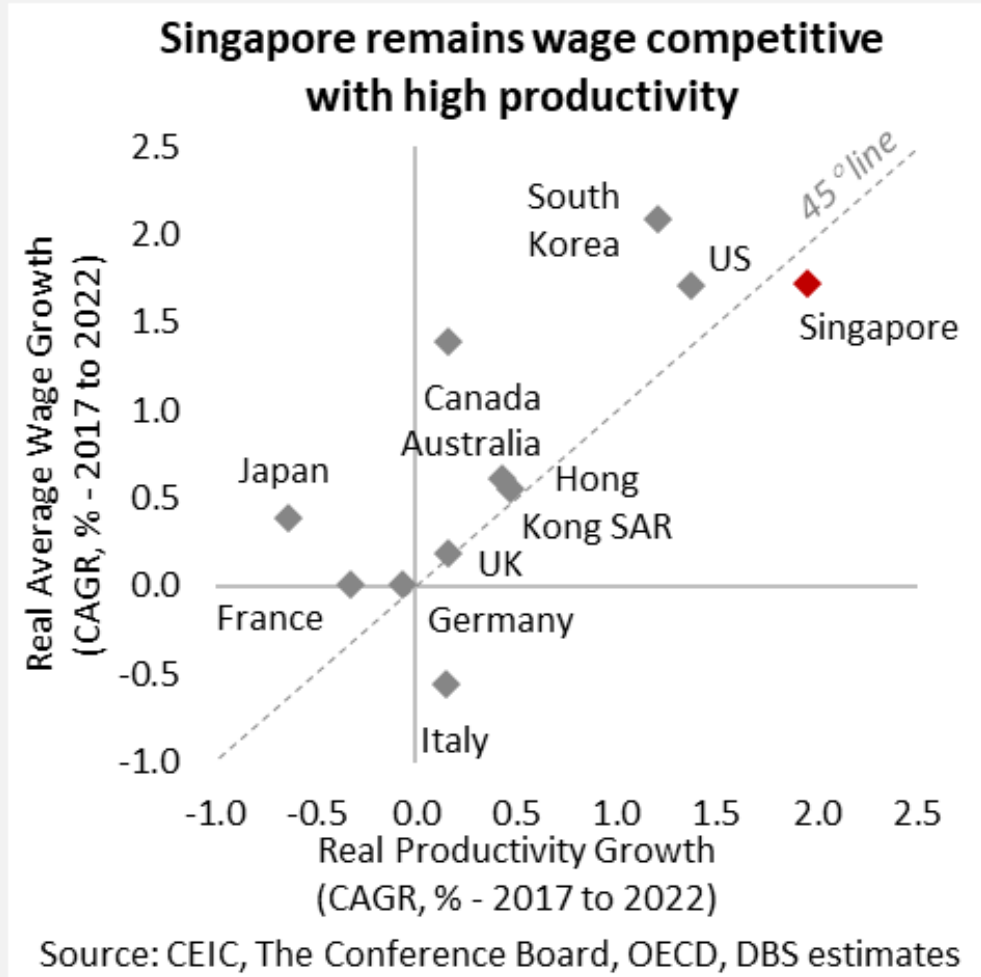
	Wages	Sea freight transport price	Import price	Utilities	Rentals		
					Office	Retail	Industrial
Index vs 5-year average	Red	Red	Red	Red	Red	Green	Red
% YoY growth trend	Red	Green	Green	Green	Red	Yellow	Red
As of	Jun-23	Jun-23	Jun-23	Aug-23	Jun-23	Jun-23	Jun-23

Source: CEIC, Singstat, URA, DBS; Red=higher than 5-year average, growth uptrend; Yellow=stable; Green=lower than 5-year average, growth downtrend

# As businesses face challenges, have living standards improved?



# Productivity gains are key to sustaining wage increments





## 2 key takeaways

### Business costs: high but some relief

- 1) Business costs are still a major challenge
- 2) Elevated vs the past 5 years...
- 3) ... But are starting to ease in some areas

### Wages & productivity

- 1) Nominal wage growth is still elevated, but looks set to ease
- 2) Real wage growth is positive, but has trended lower
- 3) Productivity gains are key to sustaining higher real wage increments

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